

California Tax Service Center



Guiding Taxpayers to the
Forms and Services They Need

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Sales & Use Tax

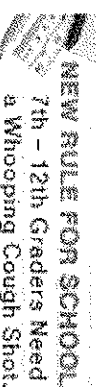
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News

- [BOE Notifies California Retailers of Upcoming Visits \(posted on 12/15/14\)](#)
- [Los Angeles Used Car Dealers Sentenced to 3 Years in Prison for Sales Tax Evasion \(posted on 12/10/14\)](#)
- [Former Symphony Director Guilty of Tax Fraud - Issued by the Santa Clara County District Attorney's Office \(posted on 12/05/14\)](#)
- [Top 500 Sales & Use Tax Delinquencies in California \(posted on 12/05/14\)](#)
- [Gasoline Consumption in California Rises Nearly 1% as Economy Picks Up \(posted on 12/02/14\)](#)

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California Tax Service Center

Estimated Business Taxes and Prepayments

Board of Equalization

Franchise Tax Board

Internal Revenue Service

Board of Equalization

Sales and Use Tax Quarterly Prepayments

When you obtain your seller's permit, you will be instructed to file your sales and use tax return on a monthly, quarterly, annual, or quarterly prepayment basis (the determination is based on the volume of sales expected for your business).

Businesses with average taxable sales of \$17,000 or more per month are required to make tax prepayments to the Board. You will be notified in writing if this requirement applies to you. Please do not make prepayments without written authorization. You will be required to make two prepayments each calendar quarter. You must also file a quarterly return with your payment of the remaining tax due, by the last day of the month following the end of each quarter. The Board will send you a tax return form (prepayment Form BOE 1150 series) to complete at the close of each reporting period. The filing due date is printed at the top of the return. If you do not receive your tax return form within 15 days after the end of the reporting period for your business, you should call the Information Center, (800) 400-7115.

Some prepayment accounts must pay by Electronic Funds Transfer (EFT). EFT payments are currently required for businesses that pay an average of \$20,000 per month in sales and use taxes. Other businesses can make EFT payments on a voluntary basis. For more information, call (800) 400-7115 and ask for Publication 80, Electronic Funds Transfer Program Information Guide. You can also obtain information on EFT payments by downloading Publication 80 from BOE's Internet site.

Franchise Tax Board

Estimated Tax Requirement

All corporations incorporated, qualified, or doing business in California, whether active or inactive, must make franchise or income estimated tax payments. This requirement also applies to limited liability companies that

have elected to be treated as corporations. FTB will assess an estimated tax penalty if your payments are late or if your payments are not for the correct amount.

Note: Unless otherwise noted, the term corporation refers to both C corporations and S corporations.

What Is the Corporation Tax Rate?

A C corporation annual tax is the greater of 8.84 percent of the corporation's net income or \$800. An S corporation's annual tax is the greater of 1.5 percent of the corporation's net income or \$800.

Note: As of January 1, 2000, newly incorporated or qualified corporations are exempt from the minimum franchise tax for their first year of business.

Computing Your Estimated Tax Requirement

Generally, corporations must make four estimated tax payments equal to 100 percent of their current year tax. However, there are several exceptions to this rule that could allow a corporation to pay less in estimated tax payments. Use the worksheets contained in Corporation Estimated Tax (Form 100-ES) to determine the amount of each estimated tax installment. Form 100-ES also includes four estimated tax payment vouchers to use when sending your payments.

Revised estimates:

Corporations may revise their estimated tax at any time during the year. To make the revision, subtract the amount of the payments already paid from the revised estimated tax, then divide the difference by the number of remaining estimated tax installments.

When to Pay Estimated Tax

Estimated tax payments are due by the 15th day of the 4th, 6th, 9th and 12th months of the corporation's tax year. If the due date falls on a weekend or a legal holiday, the payment is due on the next regular business day.

Example 1 - Calendar Year: If the corporation's tax year ends on December 31, the estimated tax payments are due on April 15, June 15, September 15, and December 15.

Example 2 - Fiscal Year: If the corporation's tax year ends on June 30, the estimated tax payments are due on October 15, December 15, March 15, and June 15.

Example 3 - First Year - Less than 12 months: Use the chart below to determine when your estimated tax payments are due and the percentage of estimated tax due for each installment.

First Year Accounting Period (calendar year) - For fiscal year corporations, adjust dates

If the year starts:	Number of Installments	Percentage of Estimated Tax Due	On or Before
		April 15	June 15
		Sept 15	Dec 15

Jan 1 to Jan 16	4	25%	50%	75%	100%
Jan 17 to Mar 16	3		33 1/3%	66 2/3%	100%
Mar 17 to June 15	2			50%	100%
June 16 to Sept 15	1				100%
Sept 16 and after	NONE				NONE

Qualified Subchapter S Subsidiary Annual Tax

A parent S corporation of a Qualified Subchapter (QSub), that is incorporated, qualified or doing business in California must pay the annual \$800 QSub tax when the S corporation's first estimated tax payment is due. If a parent S corporation acquires a QSub during the year, the QSub annual tax is due with the parent's next estimated tax payment. The QSub annual tax is subject to the estimated tax rules and penalties.

First Estimated Tax Installment Requirement

Except in the case of newly incorporated or qualified corporations, the first estimated tax payment cannot be less than the minimum franchise tax, regardless of whether the corporation is active, inactive, or operating at a loss.

Newly Incorporated or Qualified Corporations

Corporations incorporating or qualifying after January 1, 2000, are not subject to the \$800 minimum franchise tax on the first return they file. However, they are subject to tax based on their net income times the appropriate tax rate. To avoid an estimated tax penalty, these corporations must make estimated tax payments equal to 100 percent of their current year tax. (New corporations become subject to the minimum franchise tax on their second return).

Example 4 - First year loss: Beta Corporation incorporates on February 21, 2000, and pays only the Secretary of State filing fee. Beta selects a calendar year end. For the income year of February 21 to December 31, the corporation estimates that it will operate at a loss, and it does not make any estimated tax payments. When Beta completes its return for the short income year it shows a \$3,000 loss and no tax due.

On April 15, 2001, the corporation makes an estimated tax payment of \$800. On its return for year ending December 31, 2001, it shows a \$1,400 loss and an \$800 tax liability. Since the corporation made an \$800 estimated tax payment, it does not owe any additional tax.

Example 5 - Profitable first year: Johnson Corporation incorporates on January 11, 2000 and pays only the Secretary of State filing fee. Johnson selects a calendar year end.

Johnson does not make an estimated tax payment on April 15, 2000. For the year ending December 31, 2000, it shows \$6,300 of income. When the corporation files its return on March 15, 2001, it owes \$557 of tax (\$6,300 X 8.84%), which it pays with the return. Since Johnson did not make any

estimated tax payments, it owes an estimated tax penalty based on the tax of \$557.

On April 15, 2001, the corporation makes an estimated tax payment of \$800. On its return for year ending December 31, 2001 it shows \$6,787.64 of income. The tax on this income is \$600 ($\$6787.64 \times 8.84\%$). However, the corporation must pay either the greater of the tax, or the \$800 minimum franchise tax on the income. Since the corporation made an \$800 estimated tax payment, there will be no estimated tax penalty.

For more information regarding newly formed or qualified corporations, see the California & Federal Small Business Tax Responsibilities section of this site.

Electronic Funds Transfer

Once a corporation has a requirement to make any estimated tax or extension payment in excess of \$20,000, or has a total tax liability in excess of \$80,000, it must make all payments, regardless of the taxable year income year or amount due, through electronic funds transfer. For more information please see the Electronic Funds Transfer Information Guide (Pub. 3817).

Forms and Publications

Electronic Funds Transfer Information Guide, Publication 3817

Corporation Estimated Tax, Form 100ES

Instructions, Form 100ES

Underpayment of Estimated Tax, (Form 5806)

Internal Revenue Service

Corporations generally must make installment payments of estimated tax if they expect their estimated tax income tax less credits to be \$500 or more.

S-corporations must also make estimated tax payments for certain taxes. S-corporations should see the instructions for U.S. Income Tax Return for an S-Corporations (Form 1120S), to figure their estimated tax payments.

Tax-exempt organizations subject to the unrelated business income tax and private foundations use Estimated Tax on Unrelated Business Taxable Income for Tax-Exempt Organizations (Form 990W), to figure the amount of their estimated tax payments. The installments are due by the 15th day of the 4th, 6th, 9th and 12th months of the tax year. If any date falls on a Saturday, Sunday, or legal holiday, the installment is due on the next regular business day. A corporation that does not make estimated tax payments when due may be subject to an underpayment penalty for the period of underpayment. See code section 6655 and 6621(a)(2).

A corporation that has overpaid its estimated tax may apply for a quick refund if the overpayment is at least 10% of its expected income tax liability and at least \$500. To apply for a quick refund, file Corporation Application for Quick Refund of Overpayment of Estimated Tax (Form 4466) before the 16th day of the 3rd month after the end

of the tax year but before the corporation files its income tax return. Do not file Form 4466 before the end of the corporation tax year.

For more information, see Corporations (Publication 542); for small businesses, see Estimated Taxes (Publication 505).

Also see Financial Considerations.